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February 16, 2021

Re: Docket No. R-1723 and RIN 7100-AF94 (Advanced Notice of Proposed Rulemaking Community Reinvestment Act)

To Whom It May Concern:

On behalf of the board, staff and clients of my organization, we applaud the efforts that have been undertaken by the Board of Governors of the Federal Reserve System to address the regulatory framework that guides the Community Reinvestment Act (CRA). The CRA has historically been a useful tool to encourage investment in the communities in which we work. It is, however, the appropriate time to build upon the successes that have been achieved to be responsive to the current environment. In many ways, the Fed's proposed approach will strengthen the lens under which banks are examined. The final rule published by the OCC last year did not satisfy the interventions needed to encourage more thoughtful participation by banks. The purpose of this letter is to encourage the continued diligence of the Fed in refining the CRA as well as to speak to several opportunities to strengthen the Act to make it more useful to organizations such as ours as we continue to address inequities in the communities that we serve.

For 40 years, Neighborhood Housing Services of the Inland Empire (NHSIE) has been dedicated to promoting homeownership, recognizing that it builds community stability by increasing personal and familial wealth, breaking the cycle of poverty, and enhancing civic involvement. NHSIE's services strengthen financial knowledge, facilitate asset-building, enable homeownership, increase the availability of affordable housing, and contribute to community revitalization. We provide impactful services to over 500 unduplicated clients each year and have directly contributed to the creation and sustainment of thousands of LMI homeowners in Southern California's Inland Empire. Our service area is vast. The Inland Empire fully encompasses San Bernardino and Riverside counties, includes 4 million+ residents, spans more than 27,000 square miles, and is geographically larger than ten US states. Within our area of focus are a broad range of banking institutions and diverse community needs. Our desire is for the CRA to be a tool that will allow the banks to engage in meaningful community development work to lift the economically disadvantaged neighborhoods in our midst. We are proud of our designations as a CDFI, HUD approved housing counseling agency, NeighborWorks and UnidosUS affiliate and a minority led organization. Our diverse staff and board are truly reflective of the communities that we serve. Seventy-nine percent of the clients served by NHSIE over the past five years have been people of color and the vast majority fall into the LMI category. In the past decade we have helped over 2,500 families—75%+ of whom were minorities—to become first-time homeowners and invest \$741M in home purchases in the Inland Empire.

This letter focuses on three specific areas related the CRA.

1) **We support the inclusion of race as an exam factor.** While LMI has served as a proxy for race in the past, the CRA must be strengthened to be more explicit in combatting discrimination. The pandemic



and the events spurred by the murders of George Floyd and others last year brought to the surface brewing frustrations related to racial inequity in the United States. The health and economic disparities experienced by people of color is real. Redlining, a major reason for the CRA's very existence, continues to be weaved into equitable housing results as evidenced as recently as this week's story on lower than market appraisal values for homes owned by black families. The recovery is uneven as well as evidenced by the disparity of access to information on PPP loans by black business owners to the degree to which people of color are receiving the COVID-19 vaccines. The well-known linkage between zip code and life expectancy continues to support the existence of 'two Americas'. This is not anecdotal. As a member of the black community, I have firsthand experience with the biases that continue to limit equitable access. A strong CRA will go a long way in combatting this. HUD has taken the notable stance of elevating equity into their housing work across the country as a means of identifying and combatting racial bias and we encourage the Fed to join their federal partner's efforts in doing so.

2) **We support the expansion of the definition of an assessment area to go beyond a bank's brick and mortar branch locations.** The CRA rightfully establishes the foundation for a bank to meet the credit needs of the entire community that it serves, inclusive of LMI neighborhoods. The assessment area must be expanded to consider not only the location where a physical branch sits but also include locations where their customers exist as a means of identifying areas most need the investment. We are a mobile society and technology has made the need for bricks and mortar banking centers less necessary. The concept of a CRA assessment area should be reviewed considering how banks and customers connect today and allow for the flexibility to ensure that the true spirit of the Act is supported.

3) **We support inclusion of testing that incentivizes banks to work with impactful community development partners like NeighborWorks America affiliates and CDFIs.** NHSIE is one of many organizations falling under this category who have built longstanding reputations as trusted resources in their communities as well as met the rigorous measures required to attain membership status. As certified CDFIs and NeighborWorks network members, we exist to bridge the gap as community-based organizations with the readiness to adeptly shepherd investment and stakeholders, including residents, through activities that result in more equitable neighborhoods. Both of these networks very closely align with the tenets of the CRA and its members cover the spectrum of economic development interventions, client demographics, and geographic locations. The combination of these credentials make similar organizations ripe for partnership with the banks. Our impact on advancing underserved communities is quantifiable. As an example, NHSIE with the support of NeighborWorks America has participated in several bank initiatives and through these partnerships deployed \$11M in down payment assistance and created 800+ first-time LMI homebuyers over a five-year period. As is the norm among the 240+ NeighborWorks affiliates, NHSIE outperformed the traditional banking institutions with regards to creating minority homeownership. Demand from prospective first-time buyers was high and while we proved our ability to get the money that we had to the streets, we were unsuccessful in attracting additional bank capital to fully meet the demand. Access to capital is an impediment that limits the work that community development organizations can do.

While our banking partners have good intentions, ultimately, they are for-profit businesses and good intentions sometimes conflict with organizational financial goals. The CRA is one of the primary tools available to encourage banks to do what is best related to deploying investment into underserved



communities and taking a more intentional and collaborative role in building sustainable and equitable neighborhoods. We appreciate the opportunity to provide input to the Advance Notice of Proposed Rulemaking as we see the impact of the CRA clearly from an on-the-ground view. The Board of Governors proposal, if strengthened, and in partnership with the OCC and the FDIC would represent a meaningful step forward in reimagining the CRA into a responsive tool that will explicitly benefit LMI communities across the country.

With gratitude,

Felicia Brown-Smith

Felicia Brown Smith
Chief Executive Officer